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SUBJECT: MINERAL RICH JHARKHAND SUFFERS INSURGENCY AND POVERTY

REF: CALCUTTA 0006

11. (SBU) February 5-8, CG visited the Eastern Indian state of Jharkhand to assess the economic development, security, religious freedom and the political situation. A new state, established only in 2000, Jharkhand is still experiencing serious growing pains. The National Democratic Alliance (NDA) government is unable to respond to an increasing Maoist insurgency and its efforts to promote investment by signing over 40 memorandums of understanding (MOUs) with various companies to exploit the state's extensive mineral resources are unlikely to see immediate results. The GOJ's lack of a compensation plan for the many tribals, who are likely to be displaced by any mining and manufacturing, is further antagonizing this already alienated community which constitutes 28 percent of the state's population. The weak NDA government under 37 year-old Chief Minister (CM) Arjun Munda relies on 6 independent Members of the Legislative Assembly (MLAs) who have received key ministerial portfolios. Munda's effort to implement the Bharatiya Janata Party's (BJP) pro-Hindu platform by proposing an Anti-Conversion Law to discourage Christian missionary activity in the state is exacerbating his tense relations with the Independent ministers of the cabinet. One bright spot in this bleak picture is the model industrial city of Jamshedpur, where Tata Steel, Tata Motors and other manufactures have a large presence. U.S. manufacturers Timken and Cummins and other companies are experiencing excellent growth and predicting significant future expansion in Jharkhand and throughout India.

Jharkhand, Spawn of Bihar

12. (U) In 2000, the Eastern state of Jharkhand was carved out of India's poorest state, Bihar, as the Bihar government was unresponsive the interests of its southern region. Sandwiched between Bihar and India's second poorest state, Orissa, Jharkhand has social statistics equally as dismal as its neighbors. Of its approximately 27 million people, 44 percent live below the poverty line. In rural areas, the figure is as high as 58 percent. (Note: In comparison, Jharkhand's poverty rates is more than double states like Maharashtra and Tamil Nadu, with approximately 25 and 21 percent poverty respectively.) Jharkhand's 30 tribal groups, which constitute approximately 28 percent of the population, represent a

significant portion of the rural poor. However, Jharkhand has great potential for economic development. The state possess 33 percent of India's coal reserves and 34 percent of its iron ore and copper. As a result of its mineral riches, several multi-nationals have proposed large investments in the state in the past year. Mittal Steel signed an MOU of US \$9.3 billion to establish a 12 million ton per annum steel plant and Jindal Steel has agreed to invest US \$ 2 billion.

Maoist Threat

¶3. (SBU) Jharkhand may never see the benefits of future investment if the growing Maoist insurgency is not addressed. All contacts, whether business, NGO or political figures, agreed that the Maoists constitute a serious threat to the state's development. Of the state's 22 districts, approximately 17 have a Maoist presence. Reportedly 550 people have died from Maoist violence in the last five years. The highest insurgent activity is in the rural areas on the border with Orissa, Bihar and Chhattisgarh. Reflecting the lack of government focus and response to the issue, the exact number of Maoist cadre is not known but most contacts felt active members ranged from 500 to 1,000, with many more supporters, possibly a few thousand. In districts along the border with Chhattisgarh and Orissa, the Maoists have effectively created a shadow administration in the remote villages. CG asked CM Munda and Chief Secretary M.K. Mandal whether the GOJ had a plan to address the Maoist threat. Neither could offer a specific response, other than to say that more development was needed. Reflecting the continuing threat, during the short period of CG's visit to Jharkhand, a railway station in West Singhbhum district was blown-up and area commander of the Communist Party of India-Maoist (CPI-Maoist) Surajbhan Kajal threatened to begin attacks in the state capital

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Ranchi.

Tribal Dissatisfaction

¶4. (SBU) Complicating efforts to address the Maoist problem is the growing disaffection of the sizeable tribal community in the state. While the tribals represent a significant portion of the population, their numbers have not resulted in economic or political power. The tribals' lack of development has allowed the Maoists to make inroads into their communities. Tribal representative group Jharkhand Mukti Morcha (JMM) Secretary Shailendra Bhattacharya told CG that the tribals are also afraid that the large steel and mining MOUs will worsen their situation. He said that much of the proposed mining would be in tribal areas and cause serious displacement for the community. In addition, the GOJ had no clear compensation plan. Bhattacharya's views were echoed by BJP Rajya Sabha Member Ajay Maroo and Tata Steel Deputy Managing Director A.N. Singh. Bhattacharya said the tribals were not necessarily opposed to development but felt that the GOJ, noted for corruption and inefficiency, would not protect the tribals' interests. Rather, JMM wanted to deal directly with the companies. Tata Steel's A.N. Singh indicated the same reservations about working through the state government and believed direct communications between companies and tribals was best. (Note: Tata Steel is still dealing with the fallout from last month's violence between Orissa police and tribals in Kalinga Nagar (Reftel)).

Political Instability

¶5. (SBU) The NDA coalition ruling Jharkhand, while struggling with serious social issues, also faces internal divisions. The dominant BJP has just 30 seats in the 81-Member Legislative Assembly and requires support from 6 Independent MLAs and 6 Janata Dal (United) members to retain power. Using their

leverage to extract key portfolios, the Independents hold the Home Ministry, Rural Development and other lucrative positions. Even with these perks, according to State Congress President Pradeep Balmuchu and BJP member Maroo, the Independents are wavering and only two need to pull out to bring down the government. Like their state, the ministers are all very young and relatively inexperienced. Home Minister Sudesh Mahato is 28 years old, the Rural Development Minister Anosh Ekka 32 and even Chief Minister Munda is only 37. A former security guard, Munda was a political non-entity until he left the JMM and joined the BJP in 1999. Just four years later, he was selected by the BJP to be CM in March 2003. Munda as an ethnic tribal was considered a suitable public face for the BJP and sufficiently malleable.

16. (SBU) Attempting to push the BJP's agenda in Jharkhand, Munda proposed in December an Anti-Conversion Law to ostensibly restrict forced religious conversions. However, the law is widely understood to be directed against the activities of Christian missionaries in the state. In his meeting with the CM, CG expressed reservations about the intent of the proposed Anti-Conversion Law. The CM gave a one word response, saying that it was "politics." Leaving the CM's office, Principal Secretary to CM U.K. Sangma said he was a Christian and did not

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believe that the GOJ would push the law forward. Rural Development Minister Ekka, also a Christian, told CG that with a constituency of 90 percent Christians, he would not support the bill. The consensus of most contacts was that the bill would not go forward as it would create a rift with Independents. Munda had floated the idea for the bill on the orders of the BJP national leadership but will not push it, to avoid a clash with his coalition partners.

Economic Opportunity for US Business

17. (SBU) The model industrial town of Jamshedpur offered the one bright spot in an otherwise bleak picture of poor development and weak governance. Jamshedpur, founded by the

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Tata industrialist family in 1907, is home to a massive industrial center, with steel factories, Tata Motor's truck factory and a host of ancillary factories and industries. While in Jamshedpur, CG visited Tata's facilities and two U.S. companies: Tata Cummins and Timken. Tata Cummins is a joint venture between Tata Motors and diesel engine manufacturer Cummins of Indiana. Tata Cummins produces all the diesel engines for Tata's truck, and commands a market share of around 70 percent in the commercial vehicles segment.

18. (SBU) Ohio-based Timken, originally in a joint venture with Tata Steel but now independent, manufactures precision bearings for railroads, large vehicles and industry. Its largest client in India is the railroads. Tata Steel, Cummins and Timken all described a situation of strong profits and significant projected growth in Jamshedpur and throughout India. Tata Motors had a 24 percent growth in profits in the last quarter. Cummins currently produces approximately 69,000 Cummins B Series engines a year. Under the agreement with Tata Motors, Cummins will increase its total engine production to 100,000 units in 2008 and 120,000 units thereafter. Timken, with revenues of \$57 million, expects to grow to \$200 million through acquisitions and product line expansion by 2008.

Comment

19. (SBU) Jharkhand still suffers the effects having once been part of notoriously corrupt Bihar. Years of poor governance have left the state with great poverty and weak leadership. However, Jharkhand does offer excellent economic potential given

its great natural resources. Companies, like TATA, Cummins and Timkin, that are already established in the state are doing well. The NDA government will need to do more in combating the Maoists, addressing the concerns of tribals and rural poor, and implementing the MOUs for increased investment. Otherwise, Jharkhand will remain mired in poverty and provide a base for an increasingly bold Maoist insurgency in Eastern India.

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